

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 102ND GENERAL ASSEMBLY

BILL NO: **HB 5411**

February 7, 2022

SPONSOR (S): Kifowit

SYSTEM(S): Teachers' Retirement System (TRS)

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**FISCAL IMPACT:** There is no discernible fiscal impact associated with HB 5411 on TRS as this legislation concerns Defined Contribution (DC) programs. Under HB 5411, a new member of TRS on or after January 1, 2023, shall contribute 3% of his or her pre-tax compensation to a 457(b) DC plan offered by a vendor approved by his or her employer, as described below in the Comment Section.

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**SUBJECT MATTER:** HB 5411 amends the Downstate Teacher Article of the Illinois Pension Code (TRS) such that a new employee who first becomes a member of TRS on or after January 1, 2023, shall contribute 3% of his or her pre-tax compensation to a Defined Contribution (DC) plan that is eligible under Section 457(b) of the Internal Revenue Code of 1986, as amended, offered by a vendor approved by his or her employer.

**COMMENT:** P.A. 100-0769 which took effect on August 10, 2018, required TRS to create an optional DC plan for active members of TRS. Additionally, P.A. 102-0540, effective on August 20, 2021, required TRS to automatically enroll any employee who first becomes an active member of TRS into a deferred compensation program as soon as practicable on or after January 1, 2022. Also, the employee contribution shall be 3% of his or her pre-tax compensation into his or her deferred compensation account. An employee may elect to withdraw from the benefit within 90 days of enrollment or to change the contribution amount to the extent that the State or federal laws permit.

Recently, TRS implemented its first optional 457(b) DC plan, called "Supplemental Savings Plan (SSP), and the SSP became available to its members in January of 2022.

HB 5411 provides that, in case of "other DC plans" offered by a school district, a person who first becomes a member on or after January 1, 2023, shall contribute 3% of his or her pre-tax compensation to a plan under Section 457(b) of the Internal Revenue Code of 1986, as amended, offered by a vendor approved by his or her employer. This legislation does not specify the availability of the option of opting out for other DC plans. To satisfy the requirement, the DC plan described in P.A. 100-0769 and P.A. 102-0540 (i.e. the TRS' SSP) may be adopted by the local employer at their discretion.

JB:bs

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